

JEFFERSON HIGH SCHOOL DISTRICT NO. 1

**JEFFERSON COUNTY
BOULDER MONTANA**

REISSUED

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Tripp & Associates

**1645 AVE D, SUITE E
Billings, Montana 59102**

Board of Trustees
 Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana 59632

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Board of Trustees
Jefferson High School District No. 1
Jefferson County
Boulder, Montana 59632

ORGANIZATION
Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Sabrina Stekettee	Chairman
Michele (Micki) LeTexier	Trustee
Travis Pierce	Trustee
Stan Senechal	Trustee
Denise Brunett	Trustee
Pat Lewis	Trustee
Larry Rasch	Trustee

OFFICIALS

Tim Norbeck	Superintendent
Lorie Carey	Business Manager/District Clerk
Garry Pace	County Superintendent
Matthew Johnson	County Attorney

JEFFERSON HIGH SCHOOL DISTRICT NO. 1
Management Discussion and Analysis
For the Year Ended June 30, 2014

The Superintendent and Business Manager of the school district have provided this management's discussion and analysis to give the reader of these statements an overview of the financial position and activities of the district for the time period covered by this audit report.

FINANCIAL HIGHLIGHTS

The high school district budget for all funds increased from \$2,397,815 to \$2,541,043.83 for a total of \$143,229 or approximately 6%. The General Fund budget increased from \$1,839,729 to \$1,935,342 for a total of \$95,613 or about 6%. The enrollment at Jefferson High School has declined in past years but seems to be have levelled off presently.

USING THIS FINANCIAL REPORT

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

Reporting the School District as a Whole

These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- A. The Statement of Net Position shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in capital assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets for the following year.
- B. The Statement of Activities shows the amounts of program-specific and general school district revenues used to support the school district's various functions.

The Statement of Net Position and the Statement of Activities all shown in one category (governmental) show the school functions, including instruction, student services, administration, etc. are supported mostly by state and federal revenues and property taxes.

Reporting the District's Most Significant Funds

The fund statements provided detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school foods, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental funds statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

For reporting purposes, the compensated absences, metal mines, flexibility, and litigation reserve funds were combined with the general fund because the availability of these revenues is similar to the general fund. A detail of these funds is provided in the Schedules of Combining Funds in the Supplementary Information section.

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund. This report included the activities in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position because the district cannot use these assets to fund operations. The district is responsible for ensuring that these assets are used for their intended purpose.

Budget-to-Actual Comparison

The District's original and final budgets were identical for the year ended **June 30, 2014**. The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund.

The District as a Whole

The important question about the District's Finances is, "Is the District better or worse off as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, with the addition of reporting depreciation of capital assets.

The change in net position over time is one indicator of whether the District's financial health is improving. Net position increased by 1.5% in FY14 which can be attributed to a larger increase in assets than the increase in liabilities. In past years, the non-collection of revenues has contributed to a decrease in assets. That occurrence seems to have slowed dramatically. In the previous year, large expenditures were made for building improvements so, understandably, a decrease in Operations and Maintenance expenditures was seen in 2014. Decreases in expenditures for instruction and administration can be attributed to changes in personnel. Three seasoned teachers have been replaced with instructors who start much lower in the pay matrix. Administration expenditure decreases were also caused by replacement of more seasoned employees with less experienced ones. Other non-financial factors that influence the District's fiscal health are changes in enrollment, changes in State funding, changes in the economy, and/or changes in the District's tax base. See the following pages for an explanation of Net Position and the Changes in Net Position.

NET POSITION	Governmental Activities			
	2014	2013	\$ CHANGE	% CHANGE
Current Assets	1,174,385	1,003,336	171,049	17.05%
Capital Assets, net	1,423,299	1,502,160	(78,861)	-5.25%
Total Assets	2,597,684	2,505,496	92,188	3.68%
Current Liabilities	33,346	15,378	17,968	116.84%
Long Term Liabilities	205,603	167,273	38,330	22.91%
Total Liabilities	238,949	182,651	56,298	30.82%
Net Position:				
Net Investment in Capital Assets	1,413,059	1,502,160	(89,101)	-5.93%
Restricted	229,507	-	229,507	
Unrestricted	716,170	820,686	(104,516)	-12.74%
Total Net Position	2,358,736	2,322,846	35,890	1.55%
CHANGES IN NET POSITION				
Revenues				
Program Revenues:				
Charges for Services	81,960	44,672	37,288	83.47%
Operating Grants	267,595	272,745	(5,150)	-1.89%
General Revenues:				
District Levy	876,584	784,560	92,024	11.73%
State Equalization	1,089,064	1,047,817	41,247	3.94%
Other State Revenue	149,654	148,015	1,639	1.11%
County	211,273	212,609	(1,336)	-0.63%
Investment Earnings	860	1,436	(576)	-40.08%
Other	23,864	37,793	(13,929)	-36.86%
Total Revenues	2,700,854	2,549,647	151,207	5.93%
Program Expenses				
Instruction	1,362,410	1,437,851	(75,441)	-5.25%
Support	38,703	28,662	10,041	35.03%
Media	103,171	71,412	31,759	44.47%
Administration:	324,675	357,420	(32,745)	-9.16%
O & M	330,019	535,307	(205,288)	-38.35%
Transportation	171,182	158,864	12,318	7.75%
Extracurricular	283,563	254,520	29,043	11.41%
School Food	7,260	3,583	3,677	102.64%
Interest	235	1,566	(1,331)	-84.99%
Retirement Benefits	28,000	-	28,000	100.00%
OPEB Expense	15,746	25,554	(9,808)	-38.38%
Total Expenses	2,664,964	2,874,739	(209,775)	-7.30%
Change in Net Position	35,890	(325,092)		

State law permits the District to request an optional mill levy for the general support of District programs. The High School district requested a levy of \$18,817 for the year 13/14 and a \$30,370 levy for

14/15. Both passed. Funding from Title I, Part D, Subpart 2 continues to be used for salaries of four teachers who were assigned to a class per day at Youth Dynamics Inc.

A major influence on the District's budget is enrollment. Enrollment for Jefferson High School has leveled out and occasionally experiences slight increases.

MT Tunnels has been a major taxpayer in the High School District. Currently, operations at the mine have decreased to the point that it could be considered a "closure". Tax revenues have decreased because of this as well. The mine isn't protesting the taxes; it isn't paying them at all. A "Metal Mines Tax Reserve Fund" has been established to help offset the negative effect the mine's closure will have on the District. The monies in this fund have been used previously to pay for instruction and long-neglected maintenance projects which should benefit the school for years to come. Several roofs were repaired, furnaces were replaced, and several other projects completed to save energy.

Contact Information

If you have questions regarding this report or need additional information, contact Lorie Carey, Business Manager, PO Box 838, Boulder, MT 59632, (406) 225-3740.

Tripp & **A**ssociates
1645 Ave. D, Suite E
Billings, Montana 59102

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jefferson High School District No. 1
Jefferson County
Boulder, Montana 59632

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson High School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson High School District No. 1 as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6; Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 28, and schedule of funding for other post-employment benefits other than pensions on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United

States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson High School District No. 1's basic financial statement. The Schedule of Combining Funds, Schedule of Reported Enrollment and Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are presented for purposes of additional analysis and are not a required part to the basic financial statements.

The Schedule of Combining Funds, Schedule of Reported Enrollment, Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Combining Funds, Schedule of Reported Enrollment, and Schedule of Revenues, Expenditures and Fund Balances – Extracurricular Funds are fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of Jefferson High School District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing Jefferson High School District No. 1's internal control over financial reporting and compliance.

Tripp & Associates

Billings, Montana
December 19, 2014

Jefferson High School District No. 1
Jefferson County
Boulder, Montana

STATEMENT OF NET POSITION
as of June 30, 2014

	<u>Governmental Activities</u> 2014
ASSETS:	
Current Assets:	
Cash & Investments	\$ 799,099
Taxes Receivable	<u>375,286</u>
Total Current Assets	1,174,385
Non-Current Assets:	
Land	93,253
Other Capital Assets (Net)	<u>1,330,046</u>
Total Non-Current Assets	<u>1,423,299</u>
Total Assets	2,597,684
LIABILITIES:	
Current Liabilities:	
Compensated Absences	13,094
Retirement Liability	17,482
Other Current Liabilities	211
Capital Leases Payable	<u>2,560</u>
Total Current Liabilities	33,346
Non-Current Liabilities:	
Compensated Absences	76,377
Retirement Liability	22,604
Capital Leases Payable	7,680
OPEB Liability	<u>98,942</u>
Total Non-Current Liabilities	<u>205,603</u>
Total Liabilities	238,949
NET POSITION:	
Net Investment in Capital Assets	1,413,059
Restricted	298,701
Unrestricted	<u>646,976</u>
Total Net Position	<u>\$ 2,358,736</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

Functions/Programs	Expenses	-----Program Revenues----- Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL OPERATIONS:				
Instruction	\$ 1,362,410	\$ 81,960	\$ 174,970	\$ (1,105,480)
Support	38,703	-	-	(38,703)
Media	103,171	-	-	(103,171)
Administration	324,675	-	-	(324,675)
O & M	330,019	-	-	(330,019)
Transportation	171,182	-	92,624	(78,558)
Extracurricular	283,563	-	-	(283,563)
School Food	7,260	-	-	(7,260)
Interest	235	-	-	(235)
Retirement Benefits	28,000	-	-	(28,000)
Other Post-Employment Benefits	15,746	-	-	(15,746)
Total Governmental Activities	2,664,964	81,960	267,595	(2,315,410)
GENERAL REVENUES:				
District Levy				876,584
State Equalization				1,089,064
Other State Revenue				149,654
County				211,273
Investment Earnings				860
Other				<u>23,864</u>
Total General Revenues				2,351,300
CHANGE IN NET POSITION				35,890
NET POSITION:				
Beginning of the Year				<u>2,322,846</u>
End of the Year				<u>\$ 2,358,736</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	-----MAJOR-----		Other	Total
	General Fund	Transportation Fund	Government Funds	
ASSETS:				
Cash and Investments	\$ 491,061	\$ 57,736	\$ 250,303	\$ 799,099
Taxes Receivable	<u>306,092</u>	<u>46,354</u>	<u>22,840</u>	<u>375,286</u>
Total Assets	<u>797,153</u>	<u>104,090</u>	<u>273,142</u>	<u>1,174,385</u>
LIABILITIES:				
Other Current Liabilities	<u>211</u>	<u>-</u>	<u>-</u>	<u>211</u>
Total Liabilities	211	-	-	211
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	306,092	46,354	22,840	375,286
FUND BALANCES:				
Restricted - Instruction	-	-	93,122	93,122
Restricted - Transportation	-	57,736	-	57,736
Restricted - Retirement	-	-	71,150	71,150
Restricted - Building Safety	-	-	7,500	7,500
Committed - Instruction	50,000	-	-	50,000
Committed - O&M	50,000	-	-	50,000
Assigned - Instruction	272,012	-	78,531	350,543
Assigned - Capital Purchases	55,000	-	-	55,000
Unassigned:	<u>63,839</u>	<u>-</u>	<u>-</u>	<u>63,839</u>
Total Fund Balances	<u>490,850</u>	<u>57,736</u>	<u>250,303</u>	<u>798,889</u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 797,153</u>	<u>\$ 104,090</u>	<u>\$ 273,142</u>	<u>\$ 1,174,385</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total fund balances - Governmental Funds	\$ 798,889
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	3,649,725
Less Accumulated Depreciation	<u>(2,226,426)</u> 1,423,299
Less liabilities not reported in the governmental funds	
Compensated Absences	(89,471)
Other Post-Employment Benefits	(98,942)
Retirement Benefits Payable	(40,086)
Lease Payable	<u>(10,240)</u> (238,738)
Deferred Inflows of Resources due to Property Tax Collections Receivable	<u>375,286</u>
Net Position - Governmental Activities	<u>\$ 2,358,736</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Jefferson County GOVERNMENTAL FUNDS
 Boulder, Montana For the Year Ended June 30, 2014

	-----MAJOR-----		Other	Total
	General	Transportation	Government	Governmental
	Fund	Fund	Funds	Funds
REVENUES:				
District Levies	\$ 657,602	\$ 126,904	\$ 43,470	\$ 827,975
Interest	670	62	128	860
Other	-	-	23,864	23,864
County	-	46,561	211,273	257,834
State	1,249,207	56,678	43,740	1,349,625
Federal	-	-	110,127	110,127
Charges for Services	-	-	81,960	81,960
Total Revenues	1,907,479	230,204	514,562	2,652,244
EXPENDITURES:				
Instructional Services	861,497	1,377	418,977	1,281,851
Instructional Support Services	34,667	-	4,192	38,859
Educational Media Services	74,330	-	26,209	100,539
General Administrative Services	267,051	25,833	27,903	320,788
Operation & Maintenance Services	312,594	-	18,272	330,867
Transportation Services	23	171,159	-	171,182
Extracurricular	243,898	-	18,916	262,814
School Food Services	7,260	-	-	7,260
Total Current Expenditures	1,801,321	198,369	514,470	2,514,160
Capital Outlay	8,790	-	12,800	21,590
Debt Service (Principal, Interest, Fees)	6,855	-	-	6,855
Total Expenditures	1,816,966	198,369	527,270	2,542,605
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	90,513	31,835	(12,708)	109,640
OTHER FINANCING SOURCES (USES)				
Issuance of Long-Term Debt (Capital Leases)	-	-	12,800	12,800
Fund Transfers In	3,437	-	7,500	10,937
Fund Transfers (Out)	(10,937)	-	-	(10,937)
NET CHANGES IN FUND BALANCES				
	83,013	31,835	7,592	122,440
FUND BALANCES:				
Beginning of the Year	407,837	25,901	242,711	676,449
End of the Year	\$ 490,850	\$ 57,736	\$ 250,303	\$ 798,889

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
Jefferson County AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Boulder, Montana TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	122,440
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Increase (Decrease) in Taxes Receivable		48,609
Revenues reported in the Governmental Funds Statement not included in the Statement of Activities		
Capital Lease Proceeds		(12,800)
Expenses in the statement of activities that do not require the use of current financial resources are not included in the governmental funds:		
Depreciation Expense	(100,451)	
(Increase) Decrease in Retirement Benefits Liability	(42,000)	
(Increase) Decrease in Other Post-Employment Benefits Liability	(15,746)	
(Increase) Decrease in Compensated Absence Liability	<u>(6,373)</u>	(164,570)
Expenditures reported in the governmental funds not included in the Statement of Activities		
Capital Outlays	21,590	
Principal Payments on Capital Leases	3,024	
Principal Payments on Retirement Benefits	<u>17,596</u>	<u>42,210</u>
Change in net position reported on the Statement of Activities - governmental activities	\$	<u><u>35,890</u></u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

STATEMENT OF FIDUCIARY NET POSITION &
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 As of June 30, 2014

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash, Cash Equivalents and Investments	\$ 139,867
Total Assets	<u>139,867</u>
LIABILITIES:	
Total Liabilities	-
NET POSITION:	
Held in Trust for Scholarships	34,857
Held in Trust for Student Activities	<u>105,010</u>
Total Net Position	<u>\$ 139,867</u>

CHANGES IN FIDUCIARY NET POSITION

ADDITIONS:	
Contributions to Scholarships	4,940
Revenue from Student Activities	<u>109,456</u>
Total Additions	114,396
DEDUCTIONS:	
Regular Education Expenses	8,394
Expenses of Student Activities	<u>103,823</u>
Total Deductions	112,217
CHANGE IN NET POSITION:	2,179
Net Position, Beginning of the Year	<u>137,688</u>
Net Position, Ending of the Year	<u>\$ 139,867</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Board of Trustees
Jefferson High School District No. 1
Jefferson County
Boulder, Montana 59632

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Jefferson High School District No. 1 (the "District") have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A) REPORTING ENTITY

The District is a political subdivision of the Montana Department of Education governed by a Board of Trustees (the Board) elected by the public. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The statements reflect all funds and accounts directly under the control of the District.

The District consists of a high school district which provides education for ninth through twelfth grade.

The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of the GASB "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the District. Based on those criteria the District has no component units.

B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of advances, the presentation of expenses versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the District as a whole except for the fiduciary funds. The trust funds are reported as private purpose trust funds in the fiduciary fund financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting generally including the elimination of internal service activity between or within funds. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Net Position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include (1) charges for services such as school lunch fees and facility rental fees and (2) operating grants that are restricted to a particular functional program. Property taxes, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

Fund financial statements provide information on the District's major governmental funds, a combined column for all other non-major funds, and student activity fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as advances until earned. Expenditures are recognized when the liability is incurred, except for claims, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from issuance of long-term debt are recognized when received and payments of long-term debt principal are reported as expenditures when paid. Capital asset purchases are recorded as functional expenditures and depreciation is not recognized.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify whether resources are required to be used for the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

GASB Statement No. 34 requires that the general fund be reported as a major fund. GASB Statement No. 54 requires that funds with similar restrictions to the General fund be combined with the General fund for reporting purposes. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds. The District's major governmental funds are the General and Transportation Funds.

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

For reporting purposes, the Compensated Absences, Flexibility and Metal Mines funds are combined with the General fund. The Supplementary Information section of this report includes schedules of combined funds with details of each combined fund.

Combined Funds

- * The Compensated Absences Fund is used to account for 30% of the certified compensated absence costs.
- * The Flexibility Fund is used to account for state and local revenues not allocated to other funds.
- * The Metal Mines Fund is used to account for property taxes paid by mining industries directly affecting the District.

Transportation Fund – The Transportation fund is used to account for revenues raised to finance the maintenance and operation of contracts with private carriers for school bus service, individual transportation contracts and for the operation of the home-to-school transportation program.

Fiduciary Funds

Private Purpose Trust Funds – The Trust Funds account for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations and any scholarship commitments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Agency Funds – The Agency Funds generally are used to account for assets that the District holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer. Agency funds do not report a measurement focus as they do not report operations.

C) CASH AND INVESTMENTS

Montana Code Annotated (MCA) allows school districts to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The District does not have a formal investment policy that places any further restrictions on the nature of types of investments that may be purchased other than the State statute. Investments are recorded at fair market value.

The District considers cash on hand, demand accounts, savings, money markets, repurchase agreements, CD's, STIP, and short-term investments with original maturities of three months or less when purchased, to be cash equivalents. The Extracurricular fund's cash is held separately by the District, not at the county, and is covered by FDIC.

D) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) PROPERTY TAXES

Property taxes are collected by the Jefferson County Treasurer who credits to the District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds of any such auction.

F) INVENTORIES

Inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

G) CAPITAL ASSETS

The District considers capital assets to be those resulting from expenditures which have an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of one year. These assets are reported in the government-wide Statement of Net Position, but are not reported in the Balance Sheet – Governmental Funds. Capital assets are recorded at cost, or estimated historical cost if actual historical cost is not available, and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. The District capitalizes the value of all infrastructures acquired after July 1, 2003. The District uses the straight-line depreciation method. Improvements are capitalized but the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is not capitalized. The useful lives of these assets have been estimated as follows:

Buildings	10 – 50 years
Improvements other than buildings	20 – 50 years
Machinery and Equipment	5 – 15 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)

H) COMPENSATED ABSENCES

District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. The District reports compensated absences on the Termination Payment Method. District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Therefore, only 25% of the accumulated sick leave is included in the accrual.

The liability incurred for unused vacation and sick leave accumulated by employees is reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$ 13,094 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$89,471.

Certified employees are granted 8 sick days annually. Sick leave may be accumulated up to a maximum of 140 days which is paid at 25% at termination. Certified employees are granted 5 personal days annually. Personal leave is not accumulative. Returning certified employees who use no more than 2 days personal leave the prior year are granted a bonus of \$300 at the beginning of the school year.

I) INTERFUND TRANSACTIONS

Interfund transactions between governmental funds are reflected as transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds" and are subject to elimination upon consolidation of funds. Advances between funds, as reported in the fund financial statements, are offset by Nonspendable fund balance in the General fund and as committed or assigned fund balance in other governmental funds as appropriate.

J) ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

NOTE 2: CASH AND INVESTMENTS

Cash resources of the District for governmental and agency funds are held and managed by the Jefferson County Treasurer. They are combined with cash resources of other governmental entities within Jefferson County to form a pool of cash and cash equivalents. At June 30, 2014 the carrying amount of deposits held by the County totaled \$930,687. This includes \$131,587 in agency funds. The District's cash and cash equivalents for the trust fund of \$34,058 are held at a local bank in savings accounts and CDs.

Information regarding the collateral and security for cash held by the Jefferson County treasurer is not available to the District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Jefferson County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC). The County provides monthly statements to the District.

The District does not own specific identifiable investment securities in the pool. Therefore, the District's portion of the pool is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Jefferson County investment pool deposits and investments is available from the Jefferson County Treasurer's office, Box H, Boulder, MT 59632. Fair values approximate carrying values for investments as of June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: NET POSITION/FUND BALANCES

A) NET POSITION

The government-wide fund financial statements utilize a Net Position presentation. Net Position is categorized as invested in Net Investment in Capital Assets, Restricted and Unrestricted.

Net Investment in Capital Assets – This category reports the portion of Net Position containing capital assets, including infrastructure, as one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category reports the portion of Net Position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, Restricted Net Position for governmental activities totaled \$229,508. The full amount was restricted by enabling legislation.

Unrestricted Net Position – This category reports the portion of Net Position that is not restricted for any project or other purpose. Outstanding liabilities attributable to these assets reduce the balance of this category.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use the restricted funds first.

B) FUND BALANCE

Fund Statement – Fund Balances

In the fund financial statements, governmental funds report fund balance as Nonspendable, Restricted, Committed, Assigned or Unassigned based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Nonspendable – Amounts that cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact i.e., inventory or endowment corpus.

Restricted – Amounts that can be spent only for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed – Amounts that can be used only for specific purposes determined through a motion approved by the Board to establish, modify and rescind; and do not lapse at year end.

Assigned – Amounts intended for specific purposes by the District Clerk and/or Superintendent who have been delegated authority by the Board to assign such amounts. This fund balance classification also reflects any funds assigned for capital projects.

Unassigned – All amounts not included in other spendable classifications.

When expenditures are incurred for which restricted, committed, assigned or unassigned amounts could be used, it is the District’s policy to first spend restricted, committed, then assigned and unassigned resources last.

C) FUND BALANCE CLASSIFICATIONS

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Building Reserve	\$ 7,500	Building Safety (SB-348)
Transportation	57,736	Transportation
Other Gov. Funds	93,122	Instruction
Retirement	<u>71,150</u>	Retirement
Total Restricted	\$229,508	

Committed Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Gen – Metal Mines	\$ 50,000	Instruction
Gen – Metal Mines	<u>50,000</u>	O + M
Total Committed	\$100,000	

NOTES TO THE FINANCIAL STATEMENTS

Assigned Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$193,866	Instruction
General – Comp Absences	9,974	Instruction
General – Flexibility	13,171	Instruction
General – Metal Mines	55,000	Instruction
General – Metal Mines	<u>55,000</u>	Capital Purchases
Subtotal	327,012	
Other Governmental Funds	<u>78,531</u>	Instruction
Total Assigned	\$405,543	

Unassigned Fund Balance

<u>Fund</u>	<u>Amount</u>
General	\$ 63,839

Total District Fund Balance \$798,889

D) MATERIAL CHANGES IN FUND BALANCE CLASSIFICATIONS

The District reviewed its GASB 54 interpretations and determined that the previously reported fund balance classifications were in need of revision. The fund balances reported above reflect current District classifications. The major changes involved changing most fund balances from Assigned to either Restricted or Committed.

E) STATEMENT OF NET POSITION VS. BALANCE SHEET – GOVERNMENTAL FUNDS

The difference of \$69,194 between restricted fund balances on the Balance Sheet - Governmental Funds, which is illustrated above, and restricted net position on the Statement of Net Position, represents the deferred inflows of resources due to taxes receivable in restricted funds. This difference is attributable to the difference in accounting basis of these two statements.

NOTE 4: TAXES / RECEIVABLES

A) MILL LEVIES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$16,755,789 for the District. The tax rates assessed for the year ended June 30, 2014 to finance District operations were as follows:

<u>Fund</u>	<u>Mills</u>
General	41.24
Transportation	7.99
Tuition	.62
Technology	<u>2.09</u>
Total	<u>51.94</u>

B) TAXES RECEIVABLE

<u>Fund</u>	<u>Total</u>
General	\$306,092
Transportation	46,354
Tuition	909
Adult Education	5,275
Technology	<u>16,656</u>
Total	<u>\$375,286</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

The value and changes to the District's capital assets as of June 30, 2014 are as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>June 30, 2014</u>
COST Non-Depreciable:				
Land	\$ 93,253	\$ 0	\$ 0	\$ 93,253
COST Depreciable:				
Land Improvements	\$ 186,270	\$ 0	\$ 0	\$ 186,270
Buildings	3,208,146	0	0	3,208,146
Major Equipment	<u>140,466</u>	<u>21,590</u>	<u>0</u>	<u>162,056</u>
Total Depreciable COST	<u>\$ 3,534,882</u>	<u>\$ 21,590</u>	<u>\$ 0</u>	<u>\$3,556,472</u>
Total COST	<u>\$ 3,628,135</u>	<u>\$ 21,590</u>	<u>\$ 0</u>	<u>\$3,649,725</u>
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ (70,921)	\$ (6,859)	\$ 0	\$ (77,780)
Buildings	(1,941,982)	(78,056)	0	(2,020,038)
Major Equipment	<u>(113,072)</u>	<u>(15,536)</u>	<u>0</u>	<u>(128,608)</u>
Total Depreciation	<u>\$(2,125,975)</u>	<u>\$(100,451)</u>	<u>\$ 0</u>	<u>\$(2,226,426)</u>

Depreciation was charged to the district's programs as follows:

Instructional	\$ 75,502
School Administration	1,476
Operation & Maintenance	2,780
Extracurricular	<u>20,693</u>
Total Current Year Depreciation	<u>\$100,451</u>

NOTE 6: RISK MANAGEMENT

The District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The district has joined with other districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating districts in a self-insurance pool. The Workers Compensation Risk Retention Program (WCRRP) is managed by a board of directors elected annually. Members are responsible for fully funding the WCRRP through the payment of annual premiums assessed. There is no other liability to the district other than timely payments of premiums. The district can withdraw from the WCRRP with 60 days' notice. Information regarding the WCRRP may be obtained by contacting WCRRP at 1 S. Montana Ave., Helena, MT, 59601.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 7: CURRENT LIABILITIES

A) DEFERRED INFLOWS OF RESOURCES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General	\$306,092	Taxes Receivable
Transportation	46,354	Taxes Receivable
Tuition	909	Taxes Receivable
Technology	16,656	Taxes Receivable
Adult Ed	<u>5,275</u>	Taxes Receivable
District Total	<u>\$375,286</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: EMPLOYEE RETIREMENT PLANS

The District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

Teachers' Retirement System (TRS)

The TRS is a statewide defined benefit retirement plan established in 1937 and governed by Title 19, chapter 20 of the Montana Code Annotated providing retirement services to teachers or professional staff of any public elementary or secondary school, colleges of technology or unit of the university system. The TRS is a mandatory multiple-employer, cost-sharing plan administered by the Teachers' Retirement Board. Member rights become vested after five years of service.

Benefits

TRS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility, benefit amounts, and contributions required by state law are based on the date the employee became a TRS member. Tier I – Employees who became members before July 1, 2013. Tier II – Employees who became members after July 1, 2013.

Tier I – Retirement benefit eligibility is age 60 with at least five years of service; or 25 years of service regardless of age. Actuarial reduced benefits may be taken after age 50 with at least five years of service. Service retirement is based on the highest 3 consecutive highest salaries.

Tier II – Retirement benefit eligibility is age 60 with at least five years of service; age 55 with 30 years of service. A professional retirement option applies to Tier II members age 60 with 30 years of service. Actuarial reduced benefits may be taken after age 55 with at least five years of service. Service retirement is based on the highest 5 consecutive salaries.

Retirement benefits are calculated as shown below:

The Service Retirement is based on *Years of Service* x *Average Final Compensation* x 1.6667%

The Professional Retirement is based on *Years of Service* x *Average Final Compensation* x 1.85%

The Guaranteed Annual Benefit Adjustment (GABA) provides an annual benefit increase set in the fall of each year by the TRS board of .5% to 1.5%. A benefit recipient, who has been receiving a benefit for at least 36 months prior to January 1 each year, will receive a GABA with payment of the January benefit.

Contributions

Beginning July 1, 2013 a required supplemental contribution, which will vary from 0% to 1% based on the funded ratio of the TRS pension became effective for Tier I members. A supplemental contribution may be required from Tier II members after January 1, 2023. For fiscal year 2013, Tier I member normal contributions are 7.15% and supplemental contributions are 1% for total Tier I member contributions of 8.15%. Tier II normal contributions are 8.15% which does not contain a supplemental contribution element. Employer contributions are based on total payroll reported to TRS. These are not matching contributions allocated to individual members, but contributions to the trust fund. The TRS employer rate was increased from 7.47% to 8.47% effective July 1, 2013. Effective July 1, 2013 employers of working retirees are required to make contributions to TRS of 9.85%. The State supplemental rate is 2.49%.

Actuarial Information

An actuarial valuation of the retirement system is performed annually. The purpose of the valuation is to determine the financial position of the fund, the normal cost, and the unfunded actuarial accrued liability based on present and prospective assets and liabilities of the system. If employee and employer contribution rates are sufficient to amortize any unfunded liability over 30 years or less, the system is actuarially sound and does not have a shortfall. According to TRS publications as of July 1, 2013, TRS does not have a shortfall and is actuarially sound.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Montana Public Employees' Retirement System (PERS)

PERS is a state wide retirement plan established in 1945 and governed by Title 19, chapter 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. Within 12 months of their hire date, employees must choose between the Defined Benefit Retirement Plan (DBRP) and the Defined Contribution Retirement Plan (DCRP). The default plan is the DBRP. The PERS is a mandatory, except for those employed less than one half time. It is a multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Division (PERD).

The PERS Defined Benefit Retirement Plan (DBRP) offers service retirement, early retirement, disability and survivorship benefits to plan members and their beneficiaries. Members' rights become vested after five years of service. The plan allows for a Guaranteed Annual Benefit Adjustment (GABA) that provides for an annual benefit increase each January that could range from 0% to 1.5% depending upon the funding status of the plan. The service retirement benefit eligibility is age 65 with at least five years of service credit or age 70 regardless of service. Actuarial reduced benefits may be taken with age 55 with at least 5 years of service. Monthly retirement benefits are calculated as: *Membership Service Factor* times *Highest Average Compensation* times *Service Credit*. This formula is multiplied by an Early Retirement Factor to determine the early retirement benefit.

The PERS Defined Contribution Retirement Plan (DCRP) consists of three components; member contributions, other contributions and employer contributions. Each component has different vesting criteria. Members are fully vested when they have earned five years of membership service. Member contributions and earnings are fully vested immediately. Other contributions i.e., 403(b) or 457(b) rollover contributions are fully vested immediately. Employer contributions are fully vested after five years of membership service. Employer contributions are forfeited if the employee dies or if service is terminated prior to attaining five years of membership service. Both the employee and the employer make contributions to the plan at the same rates as the DBRP.

Contribution rates for either plan above are required and determined by State law. Effective, July 1, 2013, the PERS rates for all employees was changed to 7.9%. The basic PERS rate for school district employers is 6.8%. Effective July 1, 2013 school district employers are required to contribute an additional employer contribution of 1.10% for total employer contributions of 7.9%.

Both Plans

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Montana Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.trs.doa.state.mt.us	Montana Public Employees Retirement System P.O. Box 200131 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154 www.state.mt.us/da/perb/prb.htm
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State contributions to PERS and TRS totaled \$712 and \$25,296 respectively and are reported in the Retirement Fund revenues and expenditures.

The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$176,259	\$181,523	\$192,727
PERS	<u>27,085</u>	<u>30,843</u>	<u>30,926</u>
Total	<u>\$203,344</u>	<u>\$212,366</u>	<u>\$223,653</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: LONG TERM DEBT OBLIGATIONS

A) CHANGES IN LONG TERM DEBT

Governmental Activities:	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Capital Leases	\$ 464	\$12,800	\$3,024	\$ 10,240
Compensated Absences	83,098	6,373	0	89,471
OPEB Liability	83,196	15,746	0	98,942
Retirement Liability	<u>15,682</u>	<u>42,000</u>	<u>17,596</u>	<u>40,086</u>
Total	<u>\$182,440</u>	<u>\$76,918</u>	<u>\$20,620</u>	<u>\$238,738</u>

B) CAPITAL LEASES

In fiscal year 2009 the District entered into a copier lease with Wells Fargo Financial Leasing. Monthly payments are \$156 for 60 months. Total lease payments in fiscal year 2014 were \$464. This lease was paid in full in fiscal year 2014 and the copier has been returned to the leasing company.

In December 2013 an equipment lease agreement was entered into between Empire Office Machines, Inc. and the District. This lease provided a method of financing the Taskalpha 4501-I copier. Five annual payments of \$1,080 are to be made by June 20th of each year. The principal balance as of June 30, 2014 was \$4,240.

In December 2013 an equipment lease agreement was entered into between Empire Office Machines, Inc. and the District. This lease provided a method of financing the Taskalpha 5501-I copier. Five annual payments of \$1,560 are to be made by June 20th of each year. The principal balance as of June 30, 2014 was \$6,000.

The amount due on the two copier leases entered into in fiscal year 2014 is reflected as a liability on the financial statements of the District in the Statement of Net Position. The combined amount shown in the Statement of Net Position for capitalized machinery and equipment for these two copiers is \$12,800. Lease payments made in fiscal year 2014 for these copiers as of June 30, 2014 totaled \$2,640.

Future minimum lease payments for the copiers are as follows:

For the fiscal years ended 6/30:	<u>Taskalpha 4501-I</u>		<u>Taskalpha 5501-I</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$1,060	\$20	\$1,500	\$ 60
2016	1,060	20	1,500	60
2017	1,060	20	1,500	60
2018	<u>1,060</u>	<u>20</u>	<u>1,500</u>	<u>60</u>
Total	<u>\$4,240</u>	<u>\$80</u>	<u>\$6,000</u>	<u>\$240</u>

D) RETIREMENT LIABILITY

The retirement benefit liability increased by \$28,000 which does not include retirement benefits paid in fiscal year 2014 of \$14,000 that were not previously reported as a liability. In prior years the District agreed to a retirement incentive package with ten employees. The incentive provided full, single coverage health insurance premium for the staff member until age 65 if they met the retirement package requirements. The premiums paid and reductions made in fiscal year 2014 were \$3,831 for all participating retirees. The plan allows for up to 8% increases in the premium annually. The net present value of the commitment to the District is as follows:

For the year ended 6/30:	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2015	\$17,482	\$655	\$18,137
2016	18,014	454	18,468
2017	<u>4,590</u>	<u>235</u>	<u>4,825</u>
Totals	<u>\$40,086</u>	<u>\$1,344</u>	<u>\$41,430</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: INTERLOCAL AGREEMENTS

Special Education Cooperative

The District is a member of the Prickly Pear, a Special Education Cooperative (The Cooperative). The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of the District, and the financial statements of the Cooperative are not included in the Districts' financial statements. The Cooperative's financial statements are audited separately from those of the District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Lewis and Clark County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member District's budgeted costs for contracted special education services. All fixed assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

Multidistrict Natural Gas Agreement

In fiscal years 2012 and 2013, the District participated in a multidistrict natural gas agreement to collectively purchase natural gas to meet the District's needs. This agreement was not renewed for fiscal year 2014.

Local School Food Services Agreement

The Jefferson High School District No.1 has an interlocal agreement with the Boulder Elementary School District No.7 for school food services. The Boulder district provides school food services to the Jefferson district. The Boulder district receives all school food grant monies for meals served for both districts. At year end, the Jefferson district pays an additional amount to the Boulder district in proportion to the food expenditures and the number of meals served throughout the year.

NOTE 11: THIRD PARTY AGREEMENTS

Transportation Agreement

The District contracts bus service for its student transportation needs with Harlow's Bus Services for 5 routes and extracurricular activities. Harlow's provides buses, drivers, and maintenance of the buses for all student transportation needs of the district. The contract is for five years from fiscal year 2014 through 2018 for \$2.55 per mile. Student activity trips shall be paid at \$1.63 per mile. The District will purchase all fuel for operating buses on routes and activities. Transportation fees paid to Harlow's in fiscal year 2014 were \$196,388.

Right of Way

In 2000, the district entered into an agreement with the Town of Boulder for two 3-foot parcels to allow sufficient space to build a tennis court. The Town of Boulder granted the right of way to the Jefferson High School District and the Boulder Elementary School District No. 7 for a 99-year lease for the sum of \$1. The Town of Boulder will retain ownership of the right of way in its entirety.

NOTE 12: OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS

Plan Description – In accordance with MCA (2-18-704) the District allows employees who are at least age 50 with at least 5 years of service to remain on the District's health insurance plan after retiring from the district as long as they pay the same premium as active employees. Since retirees are usually older than the average age of the active participants, they receive a benefit of lower insurance rates. This benefit is referred to as the "OPEB liability." The District has less than 100 plan members and elected to use the "Alternative Measurement Method" to calculate its OPEB liability. The OPEB plan does not provide a stand-alone financial report. The District pays 100% of the single active employee's health insurance premium. The implicit subsidy is \$884 per member and \$1,384 per member and spouse. The required schedule of funding progress is reported in the Required Supplementary Section of this report which is immediately following the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Funding Policy - The District pays OPEB liabilities on a “pay-as-you-go” basis. The District’s OPEB liability is amortized on a level dollar basis annually until the Actuarial Accrued Liability (AAL) is reached. A trust fund for future liabilities has not been established. The maximum liability (AAL) has been reached. The Net OPEB obligation reported by the District matches the Actuarial Accrued Liability (AAL) amount.

Funding status and progress - As of June 30, 2014 the funded status of the plan was as follows:

	<u>Alternative Measurement Method</u>
Actuarial Accrued Liability (AAL)	\$ 98,942
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	98,942
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$1,259,471
UAAL as a percentage of covered payroll	7.9%
Date of latest AAL calculation	June 30, 2014

Annual OPEB Cost and Net OPEB Obligation – The district’s annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount determined in accordance with the parameter of GASB statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the district’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the district’s net OPEB obligation.

The following table shows the components of the district’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the district’s net OPEB obligation.

	<u>Alternative Measurement Method</u>
Annual Required Contribution (ARC)	\$15,746
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	15,746
Contribution made	<u>0</u>
Increase in net OPEB obligation	15,746
Net OPEB obligation - beginning of year	<u>83,196</u>
Net OPEB obligation - end of year	<u>\$98,942</u>

Actuarial Methods and Assumptions - The following actuarial methods and assumptions were used:

Actuarial Cost Method	<u>Alternative Measurement Method</u>
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	3%
Average Salary Increase	2%

Health care cost rate trend

<u>Year</u>	<u>% Increase</u>
2015	3%
2016	3%
2017	3%
2018	3%
2019	3%
2020	3%
2021	3%
2022	3%
2023	3%
2024 and after	3%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Actuarial calculations reflect a long-term perspective and consistent with that perspective, the actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The district has no actuarial value of assets because the plan is not funded.

The District’s Annual Required Contribution (ARC) for the current and preceding two fiscal years is illustrated below. The ARC is a misleading term, since no cash contribution is actually required. No interest has been applied to the Net OPEB obligation.

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Annual Required</u> <u>Contribution (ARC)</u>	<u>Percent of ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$19,214	0%	\$57,642
2013	25,554	0%	83,196
2014	15,746	0%	98,942

The required supplementary information section of this report immediately following the notes to the financial statements, presents multiple years fund information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the AAL for benefits.

The projection of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and if applicable, the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the patterns of cash shares between the employer and plan members in the future.

NOTE 13: ENCUMBRANCES

In compliance with GASB 54, the District’s encumbrances are no longer illustrated as separate balances on the governmental fund statements. Instead, they are included in each fund’s “Assigned” fund balance classification. The District’s encumbrances are illustrated as follows:

<u>Major Funds</u>	<u>Other</u>	<u>Total</u>
<u>General</u>	<u>Governmental Funds</u>	
\$193,866	\$26,300	<u>\$220,166</u>

NOTE 14: OPERATING/ RESIDUAL EQUITY TRANSFERS

<u>FUND</u>	<u>AMOUNT</u>	<u>TO FUND</u>
Gen - Litigation Reserve	<u>\$7,500</u>	Building Reserve – SB-348

The Litigation Reserve fund was combined with the General fund in fiscal year 2013. The Litigation Reserve fund balance of \$7,500 was transferred directly to the Building Reserve fund in accordance with SB-348.

NOTE 15: SUBSEQUENT REPORTABLE EVENTS

The District committed to the purchase of a Suburban at \$32,000 which was not delivered as of June 30, 2014.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 for the Fiscal Year Ended June 30, 2014

	General Fund		Transportation Fund	
	Original & Final Budget	Actual	Original & Final Budget	Actual
REVENUES:				
District Levies	\$ 690,977	\$ 657,602	\$ 133,908	\$ 126,904
Interest Earnings	343	360	-	62
County Sources	-	-	51,114	46,561
State Sources	<u>1,244,022</u>	<u>1,244,022</u>	<u>61,729</u>	<u>56,678</u>
Total Revenues	1,935,343	1,901,984	246,752	230,204
EXPENDITURES:				
Instructional Services		961,145	-	-
Instructional Support Services		34,667	-	-
Educational Media Services		74,330	-	-
General Administrative Services		267,051	26,000	25,833
Operation & Maintenance Services		309,334	-	-
Transportation Services		23	220,752	171,159
Extracurricular		243,898	-	-
School Food Services		<u>7,260</u>	<u>-</u>	<u>-</u>
Total Current Expenditures		1,897,709	246,752	196,992
Capital Outlay		8,790	-	-
Debt Service (Principal, Interest, Fees)	<u>-</u>	<u>6,855</u>	<u>-</u>	<u>-</u>
Total Expenditures	1,935,343	1,913,354	246,752	196,992
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		(11,370)		33,212
OTHER FINANCING SOURCES/USES				
Fund Transfers (Out)		<u>(3,437)</u>		<u>-</u>
NET CHANGES IN FUND BALANCES		(14,807)		33,212
FUND BALANCES:				
BEGINNING FISCAL YEAR FUND BALANCES		<u>78,646</u>		<u>24,524</u>
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 63,839</u>		<u>\$ 57,736</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

Board of Trustees
Jefferson High School District No. 1
Jefferson County
Boulder, Montana 59632

NOTES TO THE BUDGET AND ACTUAL SCHEDULE

NOTE 1. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the General fund; budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology and Flexibility), Debt Service fund, and budgeted capital project funds (Building Reserve). All annual appropriations lapse at the end of the fiscal year, unless the District elects to encumber supplies and personal property ordered but not received at year end.

General Budget Policies:

The District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted Special Revenue funds. The original budget was not amended so the original budget and the final budget are the same.

Budget Operation:

The District operates within the budget requirements for school districts as specified by State law. The financial report reflects the following budgetary standards:

- (1) Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- (2) By the first Monday in August, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the District's borders.
- (3) Before the later of the first Thursday in September or within 30 calendar days of the receipt of the Certified Taxable Valuations from the County Assessor, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- (4) Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- (5) According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the District.

Fund Balance Reconciliation:

The General fund balance on the *Schedule of Revenue, Expenditures, and Changes in Fund Balances – Combined Funds* is different than the General fund balance on the *Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual)* for major funds by \$193,866 which represent the General fund's encumbrances. Encumbrances are not included as expenditures in fund balance – GAAP basis because they do not meet the GAAP definition of expenditures or liabilities. The District reports encumbrances at year end as budgeted expenditures and establishes a reserve of fund balances for encumbrances.

The Transportation fund's beginning fund balance differs on the trustee statements due to prior year encumbrances of \$1,377. The Transportation fund has no current year encumbrances so the ending balances of the two financial statements mentioned above match.

NOTE 2. STATE PORTION OF TRS AND PERS

The State portion of TRS and PERS totaling \$25,296 and \$712 respectively is included in the Retirement Fund's revenues and expenditures reported on the District's financial statements. These expenditures are exempt from budget constraints.

Board of Trustees
 Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana 59632

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
 For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial AAL Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
2012	\$0	\$109,048	\$109,048	0%	\$1,318,464	8.3%
2013	\$0	\$100,803	\$100,803	0%	\$1,366,390	7.4%
2014	\$0	\$ 98,942	\$ 98,942	0%	\$1,259,471	7.9%

The purpose of the above table is to provide information that serves as a surrogate for the funding progress of the Other Post-Employment Benefit plan.

The District recalculated its OPEB Accrued Actuarial Liability (AAL) on June 30, 2014. The District has elected to recalculate the OPEB Liability annually.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

SCHEDULE OF COMBINED FUNDS
 BALANCE SHEET - COMBINED FUNDS
 as of June 30, 2014

	General Fund	Metal Mines Fund	Comp Abs Fund	Litigation Res. Fund	Flexibility Fund	Total Combined Funds
ASSETS:						
Cash and Investments	\$ 257,915	\$ 210,000	\$ 9,974	\$ -	\$ 13,171	\$ 491,061
Taxes Receivable	<u>306,092</u>	-	-	-	-	<u>306,092</u>
Total Assets	<u>564,007</u>	<u>210,000</u>	<u>9,974</u>	<u>-</u>	<u>13,171</u>	<u>797,153</u>
LIABILITIES:						
Other Current Liabilities	<u>211</u>	-	-	-	-	<u>211</u>
Total Liabilities	211	-	-	-	-	211
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	<u>306,092</u>	-	-	-	-	<u>306,092</u>
TOTAL DEF INFLOWS OF RESOURCES	306,092	-	-	-	-	306,092
FUND BALANCES:						
Committed - Instruction	-	50,000	-	-	-	50,000
Committed - Capital Acquisitions	-	50,000	-	-	-	50,000
Assigned - Instruction	193,866	55,000	9,974	-	13,171	272,012
Assigned - Capital Purchases	-	55,000	-	-	-	55,000
Unassigned:	<u>63,839</u>	-	-	-	-	<u>63,839</u>
Total Fund Balances	<u>257,705</u>	<u>210,000</u>	<u>9,974</u>	<u>-</u>	<u>13,171</u>	<u>490,850</u>
Total Liabilities, Deferred Inflows & Fund Bal.	<u>\$ 564,007</u>	<u>\$ 210,000</u>	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 13,171</u>	<u>\$ 797,153</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

SCHEDULE OF COMBINED FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - COMBINED FUNDS
 For the Year Ended June 30, 2014

	General Fund	Metal Mines Fund	Comp Abs Fund	Litigation Res. Fund	Flexibility Fund	Total Combined Funds
REVENUES:						
District Levies	\$ 657,602	\$ -	\$ -	\$ -	\$ -	\$ 657,602
Interest	360	311	-	-	-	670
State	<u>1,244,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,185</u>	<u>1,249,207</u>
Total Revenues	1,901,984	311	-	-	5,185	1,907,479
EXPENDITURES:						
Instructional Services	850,538	8,790	-	-	2,169	861,497
Instructional Support Services	34,667	-	-	-	-	34,667
Educational Media Services	74,330	-	-	-	-	74,330
General Administrative Services	267,051	-	-	-	-	267,051
Operation & Maintenance Services	309,334	-	3,260	-	-	312,594
Transportation Services	23	-	-	-	-	23
Extracurricular	243,898	-	-	-	-	243,898
School Food Services	<u>7,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,260</u>
Total Current Expenditures	1,787,101	8,790	3,260	-	2,169	1,801,321
Capital Outlay	8,790	-	-	-	-	8,790
Debt Service (Principal, Interest, Fees)	<u>6,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,855</u>
Total Expenditures	1,802,746	8,790	3,260	-	2,169	1,816,966
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	99,237	(8,479)	(3,260)	-	3,016	90,513
OTHER FINANCING SOURCES (USES)						
Fund Transfers In	-	-	3,437	-	-	3,437
Fund Transfers (Out)	<u>(3,437)</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>	<u>-</u>	<u>(10,937)</u>
NET CHANGES IN FUND BALANCES	95,800	(8,479)	177	(7,500)	3,016	83,013
FUND BALANCES:						
Beginning of the Year	<u>161,905</u>	<u>218,479</u>	<u>9,797</u>	<u>7,500</u>	<u>10,156</u>	<u>407,837</u>
End of the Year	<u>\$ 257,705</u>	<u>\$ 210,000</u>	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 13,171</u>	<u>\$ 490,850</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of this statement.

Jefferson High School District No. 1
 Jefferson County
 Boulder, Montana

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 for the Fiscal Year Ended June 30, 2014

	General Fund		Flexibility Fund	
	Original & Final		Original & Final	
	Budget	Actual	Budget	Actual
REVENUES:				
District Levies	\$ 690,977	\$ 657,602	\$ -	\$ -
Interest Earnings	343	360	-	-
State Sources	<u>1,244,022</u>	<u>1,244,022</u>	<u>5,185</u>	<u>5,185</u>
Total Revenues	1,935,343	1,901,984	5,185	5,185
EXPENDITURES:				
Instructional Services		961,145	13,576	405
Instructional Support Services		34,667	-	-
Educational Media Services		74,330	-	-
General Administrative Services		267,051	-	-
Operation & Maintenance Services		309,334	-	-
Transportation Services		23	-	-
Extracurricular		243,898	-	-
School Food Services		<u>7,260</u>	<u>-</u>	<u>-</u>
Total Current Expenditures		1,897,709	13,576	405
Capital Outlay		8,790	-	-
Debt Service (Principal, Interest, Fees)	<u>-</u>	<u>6,855</u>	<u>-</u>	<u>-</u>
Total Expenditures	1,935,343	1,913,354	13,576	405
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		(11,370)		4,780
OTHER FINANCING SOURCES/USES				
Fund Transfers (Out)		<u>(3,437)</u>		<u>-</u>
NET CHANGES IN FUND BALANCES		(14,807)		4,780
FUND BALANCES:				
BEGINNING FISCAL YEAR FUND BALANCES		<u>78,646</u>		<u>8,392</u>
ENDING FISCAL YEAR FUND BALANCES		<u>\$ 63,839</u>		<u>\$ 13,171</u>

The accompanying NOTES TO REQUIRED SUPPLEMENTAL INFORMATION are an integral part of this statement.

Jefferson High School District No. 1
Jefferson County
Boulder, Montana 59632

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year Ended June 30, 2014

	Reported Enrollment	Per Audit	Difference
FALL ENROLLMENT			
OCTOBER, 2013			
High School:	222	222	0
Part-Time	<u>1</u>	<u>1</u>	<u>0</u>
Total High School:	<u>223</u>	<u>223</u>	<u>0</u>
WINTER ENROLLMENT			
DECEMBER, 2013			
High School:	219	219	0
Part-Time	<u>1</u>	<u>1</u>	<u>0</u>
Total High School:	<u>220</u>	<u>220</u>	<u>0</u>
SPRING ENROLLMENT			
FEBRUARY, 2014			
High School:	205	205	0
Early Graduates	<u>1</u>	<u>1</u>	<u>0</u>
Total High School:	<u>206</u>	<u>206</u>	<u>0</u>

JEFFERSON HIGH SCHOOL
 END OF YEAR REVENUES & EXPENSES
 STUDENT ACTIVITY FUND

June 30, 2014

Page 1 of 2

	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
STUDENT COUNCIL	\$ 5,432	\$ 5,154	\$ 6,001	\$ 4,584
REVOLVING ACCOUNT	\$ 159	\$ 856	\$ 986	\$ 29
HOMECOMING ACCT	\$ 47	\$ 48	\$ -	\$ 95
JHS STUDENT COUNCIL	\$ 4,825	\$ 1,000	\$ 1,050	\$ 4,775
CLASS OF 2013	\$ 1,552	\$ -	\$ 1,552	\$ -
CLASS OF 2014	\$ 5,526	\$ -	\$ 4,924	\$ 603
CLASS OF 2015	\$ 462	\$ 12,853	\$ 6,285	\$ 7,030
THESPIANS	\$ 25	\$ 25	\$ -	\$ 50
DRAMA	\$ 2,053	\$ 5,732	\$ 5,563	\$ 2,222
SPEECH & DEBATE	\$ 452	\$ 20	\$ 110	\$ 362
ANNUAL	\$ 13,274	\$ 6,776	\$ 7,119	\$ 12,930
PANTHER PRESS	\$ 490	\$ -	\$ 121	\$ 370
MARIAH'S CHALLENGE	\$ -	\$ 1,888	\$ 1,481	\$ 408
SCIENCE OLYMPIAD	\$ 857	\$ 212	\$ -	\$ 1,069
CLASS OF 2016	\$ 286	\$ 200	\$ 29	\$ 457
FILM MAKING	\$ 599	\$ -	\$ 222	\$ 378
DIST XI FCCLA	\$ 672	\$ 960	\$ 1,100	\$ 532
F.C.C.L.A.	\$ 5,664	\$ 4,733	\$ 3,565	\$ 6,832
CULINARY ARTS	\$ 5,830	\$ 1,735	\$ 3,792	\$ 3,774
DRAFTING	\$ 698	\$ 140	\$ 271	\$ 567
CONSTRUCTION	\$ 631	\$ -	\$ 238	\$ 393
SMALL ENGINES--A	\$ 326	\$ 350	\$ 78	\$ 599
SKILLS USA	\$ 1,907	\$ 2,508	\$ 2,181	\$ 2,234
WELDING	\$ 1,906	\$ 1,261	\$ 2,095	\$ 1,072
WOODS	\$ 420	\$ 1,032	\$ 1,321	\$ 130
BUSINESS PROF OF AM (BPA)	\$ 1,163	\$ 5,387	\$ 3,357	\$ 3,193
TECHNOLOGY	\$ 1	\$ -	\$ -	\$ 1
JHS FB--SPECIAL	\$ 11,833	\$ 3,088	\$ 4,272	\$ 10,648
SCHOOL BEAUTIFICATION	\$ 2,410	\$ 1,552	\$ -	\$ 3,961
GENERAL ATHLETICS	\$ 15,962	\$ 38,756	\$ 39,635	\$ 15,083
RODEO CLUB	\$ 1,567	\$ 700	\$ 750	\$ 1,517
HONOR SOCIETY	\$ 320	\$ 1,466	\$ 1,105	\$ 681
DANCE CLUB	\$ 353	\$ -	\$ -	\$ 353
PEP CLUB	\$ 596	\$ 744	\$ 284	\$ 1,057
ART CLASS	\$ 1,390	\$ 1,743	\$ 1,083	\$ 2,050
SUBTOTAL	\$ 89,685	\$ 100,919	\$ 100,566	\$ 90,038

JEFFERSON HIGH SCHOOL
 END OF YEAR REVENUES & EXPENSES
 STUDENT ACTIVITY FUND

June 30, 2014

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	BALANCE July 1, 2013	REVENUES	EXPENSES	BALANCE June 30, 2014
BALANCE FORWARD	\$ 89,685	\$ 100,919	\$ 100,566	\$ 90,038
ART CLUB	705	1,779	425	2,060
PHOTOGRAPHY	1,405	700	1,263	842
BAND CLUB	1,456	-	287	1,169
CHORAL CLUB	62	-	-	62
CONCESSIONS	5,138	205	1,811	3,532
OUTDOOR CLASSROOM	97	-	70	27
SPANISH	-	9,369	2,928	6,441
PANTHER PATROL	183	-	-	183
ACADEMIC ALL STARTS	545	234	224	554
HAMS	100	-	-	100
SUBTOTAL	99,376	113,207	107,574	105,010
Less: TRANSFERS		(3,751)	(3,751)	
TOTAL	\$ 99,376	\$ 109,456	\$ 103,823	\$ 105,010

Tripp & **A**ssociates
1645 Ave. D, Suite E
Billings, Montana 59102

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Jefferson High School District No. 1
Jefferson County
Boulder, Montana 59632

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson High School District No. 1 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Jefferson High School District No. 1's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Jefferson High School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson High School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson High School District No. 1's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of Findings and Responses as item 1, 2014 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson High School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jefferson High School District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jefferson High School District No. 1's response was

not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tripp & Associates

Tripp & **A**ssociates
Billings, Montana
December 19, 2014

Tripp & **A**ssociates
1645 Ave. D, Suite E
Billings, Montana 59102

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FINDING NUMBER 1-2013-FUND BALANCE-COMMITTED FUNDS: (Repeat finding from FY 2012)

This is not a finding for fiscal year 2014

FINDING NUMBER 2-2013-CAPITAL ASSETS:

This finding has been resolved.

SCHEDULE OF FINDINGS AND RESPONSES

A. Summary of Auditor's Results

Financial Statements:

The auditor, Tripp & Associates, has issued unmodified opinions on Jefferson High School District No. 1's financial statements as of and for the year ended June 30, 2014.

Internal Control over financial reporting:

- Material Weaknesses identified? ___YES __X_NO
- Significant Deficiencies identified? __X_YES ___NONE REPORTED

Noncompliance material to financial statements noted? ___YES __X_NO

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

FINDING NUMBER 1 – 2014 – INVENTORY:

Criteria: MCA 20-9-533 states that levies cannot exceed 150% of the original cost of technology equipment.
Condition: The District has not maintained a list of technology items and their costs to support the levy. The District levy is \$35,000 a year.
Context: The District does not have an up-to-date inventory listing of technology items.
Possible Effect: The levy may not be the appropriate amount. Possible misappropriation of assets.
Cause: Inattention to technology additions and removals.
Recommendation: We recommend that the District maintain a list of technology items that can be run at any time rather than scurrying to provide one for the audit.
Auditee Response: The inventory of Jefferson High School technology equipment will be completed by January 20, 2015 which is the Board of Trustee's next meeting. Steps have been taken to ensure that this inventory will then be updated routinely, with reports to the board on a quarterly basis.